

## **DEFENSE LOGISTICS AGENCY**

THE DEFENSE CONTRACT MANAGEMENT COMMAND 8725 JOHN J. **KINGMAN** ROAD, SUITE 2533 FT. BELVOIR, VIRGINIA 22060-6221

JAN 1 3 1999

IN REPLY REFER TO

DCMC-0

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)

PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)

DIRECTOR, DEFENSE PROCUREMENT

DEPUTY UNDER SECRETARY OF DEFENSE

(ACQUISITION REFORM)

DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS)

ASSISTANT SECRETARY OF THE ARMY (RESEARCH,

DEVELOPMENT AND ACQUISITION)

ASSISTANT SECRETARY OF THE NAVY (RESEARCH,

DEVELOPMENT AND ACQUISITION)

ASSISTANT SECRETARY OF THE AIR FORCE

(ACQUISITION)

DIRECTOR, BALLISTIC MISSILE DEFENSE

**ORGANIZATION** 

THROUGH: DIRECTOR DEFENSE LOGISTICS AGENCY

SUBJECT: Single Process Initiative (SPI) Quarterly Activity Report, October 1, 1998 - December 3 1, 1998

Forwarded for your review is the SPI Quarterly Activity Report for the first quarter of FY 99. This report features SPI Executive Council activities, civil military integration information, corporate council progress, and SPI activity statistics. Additional data is available for viewing on our home page (http://www.dcmc.hq.dla.mil).

Should you have any questions or concerns regarding information contained in the attached report, please contact Mr. Gordon Elley, **SPI/Block** Change Management Team Leader at (703) **767-247 1.** 

TIMOTHY P. MALISHENKO

Major General, USAF

Commander

Attachment

cc:

See Distribution

# Distribution List:

OASA (RD&A) ASN (RD&A) ARO PDASAF (Acq & Mgmt) COMNAVAIRSYSCOM Director DLA Commander, DLSC NASA Headquarters, Code AE

# Single Process Initiative (SPI) Quarterly Report October 1 - December 31, 1998

## SPI Executive Council Holds Second Meeting

- Second meeting held December 14, 1998 -- chaired by Mr. David Oliver, Principal Deputy Under Secretary for Defense (Acquisition & Technology)
- Council established by Dr. Gansler's June 3, 1998 memo on SPI's long term perspective
  - Council meets quarterly -- forum for DoD and industry to discuss SPI successes and offer solutions to challenges
  - Membership includes representatives from Component Acquisition Executives (CAEs), corporate management councils, and industry associations
- Recap of second meeting:
  - DoD Packaging Pilot Program:
    - Integrated Process Team presented final product -- recommendation of a pilot program to allow industry to use commercial packaging on military orders
    - Executive Council endorsed pilot for immediate implementation (See article on page 2 for additional details)
  - Corporate Council Approval Process
    - ODUSD(Acquisition Reform (AR)) and Defense Contract Management Command (DCMC) presented detailed flow chart depicting corporate SPI approval process
    - Executive Council agreed process flow needs flexibility to accommodate variations among individual contractors
    - Action: ODUSD(AR) and DCMC to develop simple flow to depict basic expectation of the process
  - Supplier SPI
    - Industry presented status of efforts to improve supplier SPI participation
    - Reported on Process Action Team (PAT) progress -- PAT's final recommendations for improvement due February 1999 (See article on page 4 for additional details)

# SPI Facilitates Civil Military Integration

- Latest SPI statistics show SPI still impacting civil military integration (CMI)
- Over 1500 proposed process changes -- 1081 block change modifications issued
- Examples of success in facilitating CMI:
  - 210 conversions to ISO9000
  - 28 conversions to commercial parts management programs
  - 23 conversions to Earned Value Management System
  - 49 conversions to ANSI-J welding processes

# DoD/Industry Target Packaging for CMI

- DoD taking further steps towards CMI with packaging pilot program
- The pilot program, co-sponsored and endorsed by DUSD(AR) and DUSD(Logistics), will:
  - Further implement MIL-STD-2073-1C and optimize use of commercial packaging on military orders
  - Help determine how much DoD can save by shifting from its current military packaging specifications to more efficient commercial standards
  - Use SPI as vehicle to issue block change modifications to existing contracts
- 2 contractors selected to participate -- General Electric and AlliedSignal
- Pilot scheduled to run for 3-year period -- preliminary performance data will be analyzed in 12-18 months
- Latest endorsement given by SPI Executive Council at its December 14, 1998 meeting
- Military services have concerns, but agree to pilot in the hopes that requirements can be met as costs are cut -- final CAE approval and pilot implementation expected by end of January 1999

# Top Ten SPI Cost Reducers

- Manufacturing-management is top cost-reducing SPI process for this quarter -- 70% of proposals transition from Mil-Std-1528 (Manufacturing Management) or Mil-Std-1567A (Work Measurement) to contractor processes
- Top 10 account for approximately 75% of SPI savings/cost avoidance
- Following table indicates actual and projected returns resulting from modifications implemented under SPI:

Top 10 Cost Reducing Process Types

Process Type	No. of Processes	Combined Cost Avoidance	
	Reporting Cost	and Negotiated Savings	
	Data	-	
Manufacturing-Management	20	\$62M	
Quality-Calibration	68	\$49M	
Testing	21	\$42M	
Engineering-Configuration Mgmt	67	\$39M	
Business-General	53	\$34M	
Logistics-Parts/Material Mgmt	44	\$30M	
Manufacturing-Soldering/Welding	76	\$29M	
Software	26	\$27M	
Manufacturing-Wiring	3	\$27M	
Business-Subcontracting	39	\$19M	

<sup>\*</sup> Business-General includes processes not categorized under any other specific business process type.

## What's New in Corporate-Wide SPIs

- Raytheon moving out on corporate-wide SPI initiatives
  - Used "fast track" method to approve 3 SPIs corporate-wide, affecting more than 20 sites
  - Next on the horizon: SPI process with even bigger payoff linking SPI, CMI and AP2I (see article on page 4)
- Lockheed Martin coordinating comments on 2 corporate-wide SPIs -- still refining its approach for processing corporate proposals
- The Boeing Company refined corporate approach -- flow of ideas from "bottom up" to select those ripe for "corporate-wide" implementation
  - Boeing continues to develop pilot projects to support "Revolution in Business Affairs"
  - Boeing Mesa ties SPI into its IDEA (suggestion) program for soliciting ideas
- AlliedSignal Corporate Council using good teaming approach to give new life to ideas with broad sweeping impacts -- Example: working as Integrated Product Team (IPT) on FARA/FASA issues
- Aerojet Corporate Council getting off the ground -- last meeting focused on generating concept papers, ISO 9001 consolidation and Y2K issues. Next meeting on January 21, 1999
- DoD's Block Change Management Team reviewed guidance for processing corporate-wide SPIs -- presented to SPI Executive Council at December 14, 1998 meeting
- For more information on management councils, contact SPI home page (http://www.dcmc.hq.dla.mil)

# Boeing Linking SPIs to Improve Parts Management

- Boeing St. Louis is focusing on MIL-STD-965 "Parts Management" as a complex process ripe for streamlining -- resulting in greatly reduced cycle time and costs
- 4 SPIs form new Boeing Parts Management Plan:
  - Electronic Stress Screening SPI signed 6/30/98 -- reduces amount of testing required by suppliers
  - Parts Management SPI signed 9/30/98 -- promotes use of readily available, known-quality components that meet end item performance requirements in a cost-effective way
  - Plastic Encapsulated Modules -- promotes switch to plastic encapsulated microchips in electronics delivered to Boeing. Draft modification now in works -- anticipate over 50% savings or \$30,000 per unit
  - Alternates Document -- reduces amount of review of part selection and configuration management (estimated completion is June 1999)
- Plan is estimated to be completed by June 1999 -- savings could range from \$2-10M

#### AP2I News

- Raytheon Systems Corporation (RSC) developing new performance-based concept paper on paint primers and topcoats -- DCMC and the Joint Logistics Commanders' Joint Group on Pollution Prevention (JG-PP) supporting the effort
  - Objective -- replace multiple MIL-Spec requirements with single set of common performance tests that facilitate qualification and implementation of environmentally preferable paint/coating substitutes
  - Raytheon used IPT approach to provide basis for technical approval of concept paper
  - Once approved, this corporate-wide block change proposal will authorize use of JG-PP/Raytheon developed test protocol
  - Anticipated benefits: reduction of emissions by approximately 50%; reduction in compliance issues (air operating permits); increase in operating flexibility and expansion opportunities (air emissions cap); increase in standardization of paint systems/specifications; reduction in employee exposure to toxic substances; decrease in hazardous waste disposal costs
  - DCMC anticipates concept paper will be ready for final approval by all RSC Management Councils and Component Team Leaders in January 1999
- DCMC also working pollution prevention project with Boeing, Kent and Philadelphia
  - Joint Test Protocol (JTP) accepted
  - Endorsement by Military Services will allow execution of JTP to qualify alternative materials and processes to replace cadmium used on many weapon systems
    - Cadmium has good corrosion protection properties, but highly toxic heavy metal and significant cost driver for operations and maintenance

# Suppliers Support SPI

- Industry committed to taking aggressive lead in promoting SPI -- status reported at SPI Executive Council meeting on December 14, 1998
- Analysis shows only 30% of SPI opportunities are internal to prime contractors -- other 70% offers opportunity for supplier SPI participation (prime to prime; prime to non-prime)
- Led by AIA Supplier Working Group, suppliers stepping up initiatives to embrace SPI
- Supplier SPI PAT formed to:
  - Address current and future SPI issues of customers and suppliers
  - Promote consistency and fairness across industry
- PAT identified 3 potential improvement areas:
  - Reduced cycle time for SPI adoption
  - Aid in technical evaluations
  - Stronger incentives to participate
- Need for DoD/NASA/FAA leadership and policy in order to address specific issues

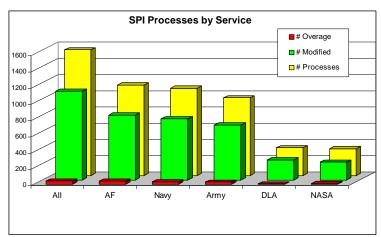
# Defense Manufacturing Conference

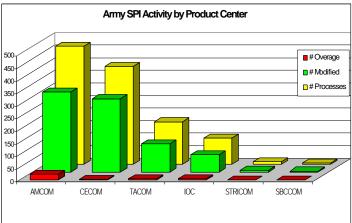
- Defense Manufacturing Conference '98 held on November 30-December 3, 1998 in New Orleans, LA
- Theme-- "ManTech for Affordable Readiness and Modernization" -- forum to discuss DoD initiatives for increasing manufacturing capability, improving sustainment efficiency, and assuring domestic technology transfer
- SPI featured as an acquisition reform initiative which is facilitating CMI
- DCMC Commander, Major General Malishenko, served as one of 4 members of Senior Acquisition Executives (SAE) panel
- SAE panel addressed variety of issues, including reduction of acquisition cycle time, continued industrial analysis support, and implementation of acquisition reform initiatives

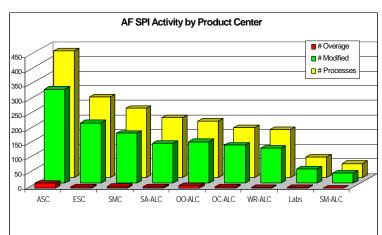
# **Summary**

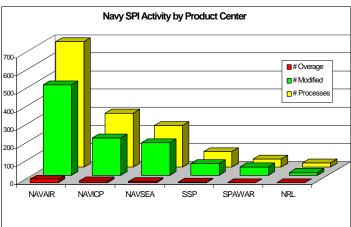
- SPI continues to play major role in acquisition reform, looking for ways to further support acquisition reform's "number one priority" for 1999 -- civil military integration
- Implementation of DoD's packaging pilot helps remove barriers to CMI
- Corporate-wide SPIs pave way for expedience in facilitating CMI and ensuring high payoff processes benefit contractor and government
- Suppliers continue to search for ways to implement SPI -- need to leverage "70%" of opportunities available in the supplier arena

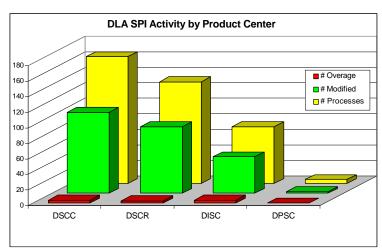
# SPI Demographics by Service and Buying Office Quarterly Report, Period Ending December 31, 1999

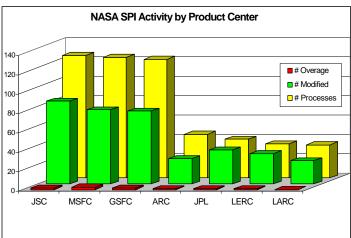












# SINGLE PROCESS INITIATIVE Implementation Summary

	Appendix B: A	As of: December 31	, 1998
	Contractor Facilities:	308	
	<b>Top 200 Corporation Facilities:</b>	164	
	International Facilities:	13	
	Total Proposed Process Changes:	1545	
	Found Technically Unacceptable:	63	
	Processes Withdrawn/Disapproved:	303	
	Total Block Change Modifications:	1081	
	Average days from Submittal to Modification:	141	
	Total Open:	161	
	* Total Open Aged Over 120 days:	44	
Proposal	Total Under Development/Awaiting Initial Acceptance:	39	5
Development (30 Days)	Total Under Development for More than 30 Days:	37	P
Approval	Total Under Review for Approval:	63	
(60 days)	Disagreements/Problems Escalated:	28	P
	<b>Total Under Review for More than 60 Days:</b>	28	R
Modification (30 days)	Total Awaiting Contract Modification:	59	0
(30 days)	<b>Total Awaiting Contract Modification for More than 30 Days:</b>	56	C
Implementation Results	Amount Negotiated: Estimated Cost Avoidance on Future Contracts:	\$30,450,156 \$450,972,943	E S S
* Does not	include Law/Reg Proposals, AP2I		